

Message Text

UNCLASSIFIED

PAGE 01 BONN 12631 01 OF 04 021728Z
ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 DODE-00 PM-05 H-02 L-03 PA-02 PRS-01 /114 W
-----047402 021919Z /44

R 021710Z AUG 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 0274
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 04 BONN 12631

USEEC ALSO FOR EMBASSY, USOECD ALSO FOR EMBASSY

DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, GW
SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING AUGUST 1)

1. FOREIGN EXCHANGE MARKET:
WITH NERVOUS CONDITIONS SOMEWHAT ABATED ON GERMAN
FOREIGN EXCHANGE MARKETS THE DOLLAR STRENGTHENED AGAINST
THE DEUTSCHEMARK IN FOUR OF THE LAST FIVE TRADING SESSIONS,
JULY 27 - AUGUST 2. ANTICIPATION OF AN INCREASE IN
U.S. INTEREST RATES WAS MENTIONED AS A FACTOR IN THE
DOLLAR'S STRENGTHENING. PRESS COMMENT ON THE DOLLAR/DM
RELATIONSHIP CONTINUES, MOSTLY AS A REHASH OF ARGU-
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 12631 01 OF 04 021728Z

MENTS PREVIOUSLY REPORTED ON THE SUBJECT. FOR THE
PERIOD UNDER REVIEW, FRANKFURT SPOT AND FORWARD DOLLAR
RATES DEVELOPED AS FOLLOWS:

FORWARD DOLLARS
SPOT DOLLARS (IN PCT. PER ANNUM)
OPENING FIXING CLOSING ONE-MONTH THREE-MOS

JULY 26	2.2440	2.2490	2.2463	-1.8	-2.1
27	2.2500	2.2544	2.2575	-1.6	-1.9
28	2.2580	2.2651	2.2705	-1.9	-2.0
29	2.2840	2.2878	2.2910	-2.4	-2.3
AUGUST 1	2.2860	2.2995	2.2985	-2.2	-2.3
2	2.2995	2.2901	N.A.	N.A.	N.A.

2. MONEY SUPPLY:

IN JUNE THE MONETARY EXPANSION SLOWED. M1, M2 AND
M3 DEVELOPED AS FOLLOWS (CHANGES IN DM BILLION):

SEASONALLY ADJUSTED

1ST QUARTER

M1	2.6	1.2	2.4	0.6
M2	1.4	0.9	3.4	-0.1
M3	3.6	1.6	4.8	1.4

SEASONALLY NON-ADJUSTED

M1	-2.4	2.9	4.4	3.4
M2	-5.0	4.1	7.1	-1.5

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 12631 01 OF 04 021728Z

M3	-3.1	3.5	7.3	-1.6
----	------	-----	-----	------

DURING THE FIRST HALF OF 1977 MONETARY DEVELOPMENTS
WERE AS FOLLOWS (CHANGES IN DM BILLION):

SEASONALLY ADJUSTED

1976		1977
1ST HALF	2ND HALF	1ST HALF

M1	8.0	-2.1	12.0
M2	7.8	9.6	8.5
M3	19.8	19.5	18.6

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 12631 02 OF 04 021733Z
ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 DODE-00 PM-05 H-02 L-03 PA-02 PRS-01 /114 W
-----047493 021920Z /44

R 021710Z AUG 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 0275
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL FRANKFURT

UNCLAS SECTION 02 OF 04 BONN 12631

SEASONALLY NON-ADJUSTED

M1	0.2	6.6	3.5
M2	-4.8	23.7	-5.4
M3	2.9	38.1	-0.0

AT THE END OF THE FIRST HALF OF 1977, SEASONALLY
NON-ADJUSTED, M1 WAS 5.7 PERCENT, M2 6.6 PERCENT AND
M3 7.8 PERCENT HIGHER THAN AT THE END OF THE FIRST HALF
OF 1976.

IN JUNE THE INDIVIDUAL DETERMINANTS OF THE MONEY SUPPLY
DEVELOPED AS FOLLOWS:
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 12631 02 OF 04 021733Z

JUNE	MAY
1977	1976 1977
----	-----

I. LENDING TO DOMESTIC NON-

BANKS	11.9	12.5	4.1
FROM BUNDESBANK	-1.4	-0.4	1.7
FROM COMMERCIAL BANKS	13.3	12.8	2.4
TO PUBLIC SECTOR	1.9	1.5	-1.6
TO PRIVATE SECTOR	11.4	11.4	4.0

II. NET EXTERNAL POSITION OF

BUNDESBANK AND COMMERCIAL

BANKS	2.1	1.3	0.2
-------	-----	-----	-----

III. LONG-TERM BANK DEPOSITS

AND OUTSTANDING BANK

BONDS (1)	3.0	3.0	2.5
-----------	-----	-----	-----

IV. OFFICIAL ASSETS HELD AT

CENTRAL BANK	2.8	-0.4	-3.4
--------------	-----	------	------

V. OTHER	9.8	6.5	-2.1
----------	-----	-----	------

VI. M3 (2) (EQUALS I PLUS II

MINUS III MINUS IV

MINUS V)	-1.6	4.4	7.3
----------	------	-----	-----

VII. M2 (M3 MINUS SAVINGS

DEPOSITS)	-1.5	3.9	7.1
-----------	------	-----	-----

VIII. M1 (M2 MINUS TIME DEPO-

SITS)	3.4	4.7	4.4
-------	-----	-----	-----

(1) EXCLUDING SIGHT DEPOSITS, TIME DEPOSITS WITH MATURITIES UP TO 4 YEARS, AND SAVINGS DEPOSITS WITH 3-MONTH PERIOD OF NOTICE, AND BONDS HELD BY BANKS.

(2) CURRENCY IN CIRCULATION, SIGHT DEPOSITS, TIME DEPOSITS WITH MATURITIES UP TO 4 YEARS AND SAVINGS DEPOSITS WITH 3-MONTH PERIOD OF NOTICE.

UNCLASSIFIED

PAGE 03 BONN 12631 02 OF 04 021733Z

POSITS WITH 3-MONTH PERIOD OF NOTICE.

3. SALE OF MEDIUM-TERM FEDERAL NOTES:

ON JULY 29 THE BUNDESBANK, ACTING AS AGENT OF THE FEDERAL GOVERNMENT, SOLD BY WAY OF TENDER DM 2.0 BILLION OF MEDIUM-TERM FEDERAL NOTES (KASSEN Obligationen). DM 0.8 BILLION OF THESE WERE FOUR-YEAR NOTES CARRYING A 5.00 PERCENT COUPON AND A YIELD TO MATURITY OF 5.17 PERCENT; DM 1.2 BILLION WERE FIVE-YEAR NOTES WITH A 5.50 PERCENT COUPON AND A YIELD OF 5.52 PERCENT. MINIMUM PRICES FOR THE NOTES ESTABLISHED BY THE BUNDESBANK; I.E. 98.90 FOR THE 4-YEAR NOTES AND 99.50 FOR THE 5-YEAR NOTES WERE CONSIDERABLY OVERBID; BY 0.50 PERCENTAGE POINTS FOR THE 4-YEAR NOTES AND BY 0.40 PERCENTAGE POINTS FOR THE 5-YEAR NOTES. IT WAS THE FIRST TIME THAT THE BUNDESBANK HAD SOLD KASSEN Obligationen WITH A 5-YEAR MATURITY. PREVIOUSLY, THE LONGEST MATURITY OF KASSEN Obligationen WAS FOUR YEARS.

4. MONEY MARKET:

DESPITE A REDUCTION IN THE RATE CHARGE ON THE BUNDES-BANK'S SPECIAL REDISCOUNT FACILITY FROM 3.75 PERCENT TO 3.5 PERCENT MONEY MARKET RATES REMAINED BASICALLY STABLE DURING THE PERIOD. BANKS USED LIQUIDITY INCREASES TO REDUCE BORROWINGS FROM THE 4.0 PERCENT LOMBARD FACILITY WHICH AS OF JULY 23RD STILL SHOWED BANK BORROWINGS OF DM 4.7 BILLION. DURING THE PERIOD JULY 26 - AUGUST 1, FRANKFURT INTERBANK MONEY RATES DEVELOPED AS FOLLOWS:

CALL MONEY ONE-MONTH THREE-MONTH

JULY 26	4.0-4.1	4.10	4.10
27	3.9-4.1	4.10	4.10
28	3.9-4.1	4.00	4.10

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 BONN 12631 02 OF 04 021733Z

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 12631 03 OF 04 021741Z

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-08

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 DODE-00 PM-05 H-02 L-03 PA-02 PRS-01 /114 W

-----047658 021921Z /44

R 021722Z AUG 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0276

DEPARTMENT TREASURY

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

AMCONSUL FRANKFURT

UNCLAS SECTION 03 OF 04 BONN 12631

29	3.8-4.0	4.00	4.10
AUGUST 1	3.9-4.0	4.00	4.00

5. BUNDESBANK FOREIGN POSITION:

DURING THE PERIOD JUNE 16-23 THE BUNDESBANK'S NET FOREIGN POSITION INCREASED BY DM 1.0 BILLION TO DM 86.4 BILLION. THE BUNDESBANK ATTRIBUTED THE INCREASE TO ITS PRICE-SMOOTHING INTERVENTIONS ON FOREIGN EXCHANGE MARKETS AND TO THE MATURING OF INVESTMENTS MADE UNDER THE OFFSET AGREEMENT WITH THE UNITED STATES. FOREIGN EXCHANGE HOLDINGS INCREASED BY DM 1,240 MILLION WHILE CLAIMS RESULTING FROM OFFSET AGREEMENTS WITH THE U.S. FELL BY DM 357 MILLION. FOREIGN LIABILITIES DECLINED BY ABOUT DM 130 MILLION.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 12631 03 OF 04 021741Z

6. BANK LIQUIDITY:

DURING THE SAME PERIOD BANKS REDUCED THEIR INDEBTEDNESS TO THE BUNDESBANK BY DM 0.8 BILLION. LOMBARD BORROWINGS DECLINED BY DM 0.4 BILLION TO DM 4.7 BILLION, NORMAL REDISCOUNT BORROWINGS BY DM 0.2 BILLION TO DM 17.8 BILLION AND SPECIAL REDISCOUNT BORROWINGS BY DM 0.1 BILLION TO DM 4.7 BILLION.

LIQUIDITY WAS INCREASED BY THE ABOVE-MENTIONED INCREASE IN BUNDESBANK MONETARY RESERVES, THE USUAL DECLINE IN CURRENCY IN CIRCULATION IN THE THIRD WEEK OF A MONTH (DM 2.0 BILLION), DM 0.2 BILLION FROM RETURNS OF MONEY MARKET PAPER TO THE BUNDESBANK AND A SUBSTANTIAL DM 4.9 BILLION REDUCTION IN THE BANKS HOLDINGS OF RESERVES AT THE BUNDESBANK. (DURING THE PERIOD JULY 1-24 BANK RESERVES HELD AT THE BUNDESBANK REACHED ON AVERAGE PER DAY DM 45.7 BILLION AS COMPARED WITH PRELIMINARY RESERVE REQUIREMENTS OF DM 45.6 BILLION.)

THE MAJOR FACTOR REDUCING LIQUIDITY WERE PAYMENTS FOR THE MINOR MID-JULY TAX DATE. DUE PRINCIPALLY TO THIS THE FEDERAL GOVERNMENT REDUCED ITS BORROWINGS FROM THE BUNDESBANK BY DM 0.9 BILLION TO ZERO AND INCREASED ITS BUNDESBANK ASSETS BY DM 3.6 BILLION TO DM 4.1 BILLION. THE STATE GOVERNMENTS ALSO INCREASED BUNDESBANK ASSETS BY DM 1.5 BILLION TO DM 6.5 BILLION. OTHER FACTORS, NET, REDUCED LIQUIDITY BY DM 1.3 BILLION.

7. BOND MARKET:

ON THE MARKET FOR DOMESTIC BONDS PRICE INCREASES CONTINUED TO PREVAIL. ON JULY 26 THE CITY OF HAMBURG OFFERED A DM 200 MILLION LOAN (COUPON 6 1/4 PERCENT, UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 12631 03 OF 04 021741Z

ISSUE PRICE 98 1/2, FINAL MATURITY 15 YEARS, YIELD TO FINAL MATURITY 6.46 PERCENT). BONDHOLDERS HAVE THE RIGHT TO REDEEM THE LOAN AFTER 10 YEARS. THE LAST PUBLIC LOAN, A DM 200 MILLION LOAN OF THE PUBLIC EQUALIZATION OF BURDENS BANK, WAS OFFERED ON JULY 12 AT A COUPON OF 6 1/2 PERCENT, AN ISSUE PRICE OF 100 AND A MATURITY OF 10 YEARS.

ON THE MARKET FOR FOREIGN DM BONDS THE EUROPEAN INVESTMENT BANK PLACED A DM 150 MILLION LOAN (COUPON 6 PERCENT, ISSUE PRICE 99, MAXIMUM MATURITY 12 YEARS WITH REPAYMENT TO BEGIN AFTER 4 YEARS). SPAIN WILL OFFER A DM 200 MILLION LOAN CARRYING A COUPON OF 6 3/4 PERCENT, AN ISSUE PRICE OF 100 1/4, AND A MATURITY OF 7 YEARS, NON-CALLABLE. THE COUPON WAS, IN VIEW OF THE FAVORABLE CONDITIONS CURRENTLY PREVAILING ON THE MARKET

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 12631 04 OF 04 021742Z
ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 DODE-00 PM-05 H-02 L-03 PA-02 PRS-01 /114 W
-----047678 021919Z /44

R 021722Z AUG 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 0277
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON

AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL FRANKFURT

UNCLAS SECTION 04 OF 04 BONN 12631

FOR FOREIGN DM BONDS, REDUCED FROM THE ORIGINALLY
PLANNED 7 PERCENT. THE AUSTRIAN KONTROLLBANK REPORTEDLY
PLACED PRIVATELY BONDS OF DM 50 MILLION (COUPON 6 1/4
PERCENT, ISSUE PRICE 100 1/2, MATURITY 7 YEARS).

8. HAEUSGEN ASSUMING PONTO'S POSITION:
ACCORDING TO THE PRESS HELMUT HAEUSGEN (61) HAS ASSUMED
THE FUNCTIONS OF THE LATE JUERGEN PONTO OF THE DRESDNER
BANK. HAEUSGEN HAS BEEN ENGAGED IN THE INTERNATIONAL
BUSINESS OF THE BANK. HAEUSGEN IS THE SENIOR BOARD
MEMBER ON DRESDNER'S BOARD OF MANAGEMENT.

9. ECONOMIC INDICATORS PUBLISHED THIS WEEK:

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 12631 04 OF 04 021742Z

SEASONALLY ADJUSTED BUNDESBANK DATA

FEB. MARCH APRIL MAY

RETAIL SALES VOLUME

(1970 EQUALS 100) 118 119 111 117

VOLUME OF TRADE

(DM BILLION)

EXPORTS 15.99 17.12 16.31 16.24

IMPORTS 14.12 14.84 14.15 13.84

BUILDING PERMITS FOR

HOUSING UNITS

(1970 EQUALS 100) 73 73 73 79

MARCH APRIL MAY JUNE

LIVING COSTS

(1970 EQUALS 100) 144.8 145.3 145.9 146.6

INDUSTRIAL PRODUCER

PRICES

(1970 EQUALS 100) 143.4 143.8 144.1 144.5

AGRICULTURAL PRODUCER

PRICES

(1970 EQUALS 100) 146.4 145.5 145.4 N.A.

IN JULY, ACCORDING TO PRELIMINARY DATA, THE COST OF LIVING INDEX DECLINED BY 0.2 PERCENT. COMPARED WITH JULY 1976, HOWEVER, THE INDEX WAS 4.3 PERCENT HIGHER AS COMPARED WITH 4.0 PERCENT IN JUNE AND 3.8 PERCENT BOTH IN APRIL AND MAY. FINAL DATA ARE EXPECTED FOR THE MIDDLE OF NEXT WEEK.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 12631 04 OF 04 021742Z

STOESSEL

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, FOREIGN EXCHANGE, MARKET SURVEYS, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 02-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BONN12631
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770276-0915
Format: TEL
From: BONN USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197708108/aaaadnqx.tel
Line Count: 455
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3cf29e4f-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 9
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Oct-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1424267
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL DEVELOPMENTS (WEEK ENDING AUGUST 1)
TAGS: EFIN, GE
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/3cf29e4f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009